Appendix A

Prompt Payment User Guide

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Preface

This Prompt Payment User Guide is a practical aid for DOL staff involved in the process of paying commercial invoices. It complements both the DLMS 6-900 chapter on cash management and the DOLAR$ Accounts Payable subsystem desktop procedures.

The Prompt Payment Act (PL 97-177) prescribes policies and procedures for paying proper invoices under Federal contracts. This Act provides for timely payment which should lead to better relationships with contractors, improve competition for Government business and reduce costs to the Government for property and services. The Act requires agencies to make timely payments, take discounts when advantageous, and pay interest penalties on late payments of proper invoices.

Compliance with the Prompt Payment Act is a Federal financial management priority initiative. The Department is required by OMB to periodically report performance data on such compliance as well as to have a quality control program in place. Internally, payment statistics help identify deficiencies in the performance of servicing finance offices and indicate where corrective actions are needed.

This Guide is divided into seven sections:

> <u>Section I</u> focuses on the Prompt Payment Act requirements and procedures as promulgated in OMB Circular No. A-125, and integrates the Act with the day-to-day activities in the Department.
>
> <u>Section II</u> provides layouts and definitions for required prompt pay reports, including those required by OMB.
>
> <u>Section III</u> defines the Department's quality control program and offers specific direction on how to sample payment data for prompt pay purposes where needed.
>
> <u>Addendum A</u> is a Glossary of Financial Terms, providing definitions of key words and phrases used in payment actions.
>
> <u>Addendum B</u> consists of commonly asked Questions and Answers.
>
> <u>Addendum C</u> is a compendium of successful procedures or operational strategies that have assisted various servicing finance offices in complying with prompt pay requirements.

Addendum D contains references.

I. Prompt Payment Act Requirements and Procedures

The basis for these regulations and procedures is either the Prompt Payment Act itself or OMB Circular No. A-125.

A. Record-keeping: There are three methods of generating and retaining official payment records:

1. For Payments Made Through A/P: Entry of required data into this subsystem meets all internal and external record-keeping and reporting requirements.

2. For Payments Made Through an Automated Bill-Paying System Other Than A/P: If the system tracks and reports OMB-required information, no additional record-keeping is required. If it does not, supplemental records must be kept.

3. For Payment Made Manually Using Form SF-1166 or Treasury's Electronic Certification System: The data elements which must be recorded depend on the sampling technique used for quality control.

B. Document Review: There are four types of review requirements under the Prompt Payment Act:

1. Contracts/Purchase Orders: Determine if the contractual instrument is proper (See Glossary). If there are missing data elements, obtain them from the responsible office. Then verify that the correct funding has been obligated in DOLAR$.

2. Receiving Reports: Determine if the receiving report is proper (See Glossary). If there are missing data elements, obtain them from the responsible office. Then verify that the correct funding has been shifted to accounts payable (i.e., an accrual made) in DOLAR$.

   Goods and services should be accepted (and the Receiving Report should be dated) promptly and forwarded to the office designated to receive the invoice within five working days. Delay in acceptance may affect the due date. Please see "RECEIPT OF INVOICE" in the Glossary for more detail.

3. Invoices: Annotate the date received on the face of the invoice. (The date received is required to determine the payment due date.) Determine if the

invoice is proper (See Glossary). An improperly prepared invoice should be returned to the vendor within seven days of the invoice receipt date with documentation of the deficiency. If the vendor has submitted the invoice to an office (address) other than that specified on the contract/purchase order, the invoice may be returned within seven days to the vendor along with the correct address. If the vendor sends its first invoice to the wrong address and it is administratively convenient for the Department, the receiving office may accept the invoice and advise the vendor that future invoices should be sent to the proper address or they will be returned.[1] . The day the billing office receives the improperly addressed invoice becomes the "start date", as defined below.

Properly prepared invoices should then be recorded in A/P or the appropriate program accounting system. Finally, determine if an unliquidated obligation (undelivered order) exists and, if so, send invoice to the responsible office for certification; if instead there is an accounts payable (established based on a receiving report), the invoice is ready for timely payment. If neither exists, use special procedures for approval of "obligate and pay" actions.

4. Certified Invoices: Determine if the certification includes the date the goods/services were received and accepted, and has been signed by a proper official. If either is missing, contact the responsible office to obtain proper certification.

C. Start Dates: To pay an invoice on time, a "start date" must be established, commonly referred to as the date when the "Prompt Pay Clock" begins. The start date is the <u>later</u> of:

1. Acceptance of products or services indicated by a proper signature and date on a receiving report.

[1] Upon receipt of a defective invoice most vendors will correct the deficiency and submit a new invoice. However, it is possible for the vendor to amend the original invoice and resubmit it. In either case, the seven day time period for return is important because delays beyond that reduce the number of days available to make proper payment without incurring any interest penalty.

2. Receipt and dating of a proper invoice by the office designated to receive the invoice.

Failure to date the invoice moves the start date up to the invoice date. The date of invoice certification is not relevant to the start date unless a certified invoice is the first document received in the servicing finance office.

D. Due Dates: Absent other contractual specifications, payment is due 30 days from the start date. To calculate the due date:

1. Do not count the start date, but instead begin counting with the first day after the start date. ***Example:*** *If the start date is May 1, and the payment terms are 30 days, then the 30 days begin on May 2, making the payment due date May 31.*

2. When the payment due date falls on a Saturday, Sunday, or legal holiday when DOL offices are closed and government business is not expected to be conducted, payment may be made on the first business day following the weekend or legal holiday without incurring late payment interest penalties.

The Accounts Payable subsystem of DOLAR$ automatically calculates due dates.

E. Document Flow: Departmental policy requires on-time payments (See Glossary). If a payment is made early (eight or more days before the payment due date), the Government may waste money by having to borrow more than it would otherwise need. If a payment is made after the payment due date, the Department may waste money by having to pay penalty interest charges. To facilitate on-time payments:

1. Receiving Reports should be transmitted so that they reach the servicing finance office not later than five days following dating of the report.

2. Invoices should be transmitted for certification so that they reach the responsible program official not later than three days after arrival in the Department.

3. Certified Invoices should be transmitted so that they reach the servicing finance office ASAP but not later than 20 days after arrival in the Department.

Taking advantageous discounts timely requires acceleration of all these time frames.

F. Payments: After an obligation has been established, payment may be made upon receipt of a certified invoice or a receiving report and an uncertified invoice. Capsulized below are the common payment situations in the Department. Payments:

1. Made Through the A/P Subsystem: the system requirements for verification and scheduling must be completed timely and the payment tape must arrive at Treasury on the "A/P Tape Sent" date.

Due Date	Verify on A/P by	A/P Sched Date	A/P Tape Sent	Treasury Check by
Monday	Wed COB	Wed night	Thu	Mon
Tuesday	Thu COB	Thu night	Fri	Tue
Wednesday	Fri COB	Fri night	Mon	Wed
Thursday	Mon COB	Mon night	Tue	Thu
Friday	Tue COB	Tue night	Wed	Fri

Note that the Department has configured scheduling dates in the Accounts Payable subsystem so three days are allowed for transmittal to/processing by Treasury.

2. Made Through Other Bill-Paying Systems: If the system generates a tape for Treasury, the tape should be received by Treasury in the same time frame as those from the Accounts Payable subsystem as shown above.

3. Made Manually Using SF-1166:

Due Date	Complete SF-1166	Overnight to Treasury by	Treasury Check by
Monday	Wednesday	Thursday	Mon
Tuesday	Thursday	Friday	Tue
Wednesday	Friday	Monday	Wed
Thursday	Monday	Tuesday	Thu
Friday	Tuesday	Wednesday	Fri

Treasury often exceeds dates shown on manuals.

4. Made Over Government Holiday: In all of the above, allow one additional day for each government holiday.

5. With Different Due Dates: If one invoice combines several different purchase orders, each with a different payment due date, the invoice is paid according to the terms of each purchase order. This may result in processing one or more partial payments or special coding of the invoice.

G. **Interest Penalties**: All payments subject to the Prompt Payment Act that are paid after the payment due date, as well as certain discounts taken in error, require interest to be paid to the vendor.

1. Calculation of Interest Penalties[2]:

   a. Late payment interest is calculated at the interest rate in effect on the day after the due date. ***Example:*** *If the payment due date is December 20 and the payment is made on May 10, the interest rate used to calculate the interest penalty is the rate in effect on December 21. (Interest rates are established by the Department of Treasury each January 1 and July 1.)*

   b. Interest is computed from the day after the due date through the payment date. ***Example:*** *If the payment due date is January 3, and the payment is made on January 22, interest must be computed based on the payment being made 19 days late.*

   c. Interest calculations are based on a 360 day year.

   d. Adjustments are to be made for errors in calculating interest. The formulae used for calculating interest are as follows:

      For the first 30 days after the payment due date:

```
                                       No. of days after
Invoice        Interest Rate           due date to, and
Amount    X    Applicable on     X     including, pmt date
               Day after Due           -------------------
               Date                           360
```

      For the payments after the first 30 days late:

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Invoice                                No. of days after
Amount         Interest Rate           30-day pd to, and
   +      X    Applicable on     X     including, pmt date
Accrued        Date of Payment         -------------------
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[2] Note that the Accounts Payable subsystem automatically projects the payment date by adding three days to the schedule date and comparing this with the due date. If the payment date is later than the due date, the subsystem calculates and schedules the appropriate interest amount.

Interest   360

e. When an interest penalty that is due is not paid, interest accrues on the unpaid amount, until paid, except as described in 'g' below. Interest penalties remaining unpaid for any 30 day period are added to the principal. All interest penalties thereafter accrue monthly on the total of principal and previously accrued interest.

Example: *We receive a proper invoice for $10,000 and pay it 40 days late. If the applicable late payment interest rate is 10%, the late payment interest is computed as follows:*

Principal (invoice amount):	*$10,000.00*
Interest owed after 30 days at 10%:	*+ 83.34*

$$\frac{(\$10,000 \times .1) \times 30}{360} = \$83.34$$

Amount subject to penalty for next 30 days:	*10,083.34*
10 days interest owed:	*+ 28.01*

$$\frac{(\$10,083.34 \times .1) \times 10}{360} = \$28$$

Total due after 40 days late:	*<u>$10,111.35</u>*

f. Interest penalties <u>do not</u> continue to accrue for more than one year. Also, interest penalties do not continue to accrue after a claim is filed for penalties under the Contract Disputes Act of 1978.

g. If the Department takes a payment discount in error and does not repay it on or before the payment due date, an interest penalty payment is owed to the vendor. The interest penalty is calculated on the amount of discount taken, for the period beginning the day after the specified discount date through the payment date.

Example: *Invoice amount $10,000,*
Terms 5% 10 days/net 30 days

(5% discount if paid in 10 days; full price due in 30

days)

Discount payment date May 9

Discount taken May 13

Payment Due date May 31

Payment was made on May 13 taking the discount (in error). If we do not repay the amount of the discount taken in error on or before May 31, interest will be due for the period beginning May 10 through the payment date.

h. If the Department fails to notify a vendor of a defective invoice within seven days, the number of days allowed for payment of the corrected, proper invoice will be reduced by the number of days between the seventh day and the day notification was sent to the vendor. When the vendor corrects the invoice and resubmits it, interest penalties, if any, are based on an adjusted due date reflecting the reduced number of days allowable for payment.

i. The Prompt Payment Act and Circular No. A-125 do not require interest penalties of less than one dollar to be paid.

j. The Department is exempted from paying an interest penalty if it cannot complete transmission of payment electronically (Vendor Express/ACH) because of incorrect or incomplete account information provided by the vendor. The exemption applies to interest penalties accruing between the date of attempted transmission and the date on which the vendor supplies correct information to the Department, provided that the vendor has been given notice of the defective account information within seven days after the Department is notified of the defective information.

2. Payment of Interest Penalties

a. Interest may be paid only after the goods/services have been accepted. This applies even if the Department has an invoice that is accruing interest because a receiving report has not been completed or an invoice certified. <u>The invoice cannot be paid simply to avoid further interest while awaiting the official acceptance.</u>

b. Late payment interest penalties are paid without regard to a vendor request for such payment unless a vendor indicates in writing on the invoice that interest is not to be paid. In this case, it is equivalent to a contract condition, which would override the 30-day Prompt Pay default for paying interest. (See Successful Operational Procedures or Strategies - facilitating use of the A/P subsystem (p. 37), for procedures to handle this situation; See DOLAR$ desktop procedures for handling returned interest payments as miscellaneous receipts.)

c. Whenever a late payment interest penalty is paid, a notice must be provided stating the amount of the interest penalty included in the payment, the rate used in calculating the interest, the number of days used in the calculation, the contract/ purchase order number, and invoice number.[3]

d. Interest penalties are paid from the appropriation/fund which originally incurred the obligation (unless prohibited by law).

H. Additional Penalties: A vendor is entitled to an additional penalty payment under the following conditions:

1. The Department owes a late payment interest penalty;

2. The Department makes a late payment which does not include the interest penalty due to the vendor;

3. The Department does not pay the interest penalty within 10 days of the date on which payment was made; and

4. The vendor requests payment for overdue late payment interest penalties and additional penalties as follows:

   a. The request is made in writing;

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[3] The Accounts Payable subsystem automatically generates such notices.

b. A copy of the invoice in question is attached to the request;

c. The vendor includes certification of the date and amount of the principal payment received; and

d. The request is postmarked no later than 40 days after the date of payment. If not postmarked, the request is valid if received and date stamped at DOL by the 40th day. If the Department fails to date stamp the request, the date on the request (vendor's date) must be by the 40th day.

The additional penalty is equal to 100% of the original late payment interest penalty. Thus, it doubles the penalty. The maximum additional penalty is $5,000, the minimum $25. The minimum amount is paid for all penalties between $1 and $25.

I. Penalties Not Due: There are three instances where late payment interest penalties do not apply:

1. If the Department and the vendor disagree over the amount of a payment or other issues concerning compliance with the terms of a contract, the payment start date is adjusted by adding the number of days required to resolve the dispute to the original payment due date. ***Example:** The product and the applicable invoice are received on January 2. A dispute over the payment amount began on January 3 and was resolved on January 15. January 15 becomes the new acceptance date, and the payment due date is February 14.*

2. When payments are made solely for financing purposes or in advance. (<u>Note</u>: These are strictly limited to certain situations, e.g., subscriptions.)

3. For a period when amounts are withheld temporarily in accordance with the contract.

J. Discounts: Discounts may be taken only when economically beneficial to the government. The following requirements must be met before a discount can be taken:

1. When the discount terms are entered into the Accounts Payable subsystem, it compares the benefit offered

(versus holding the money at the Treasury rate) and makes the decision.

2. To reach a decision manually, the calculation is as follows:

$$\textit{Effective Annual Discount Rate} = \frac{\textit{Discount \%}}{\textit{100\% - Disc \%}} \times \frac{\textit{Days in Year}}{\textit{Days in Pmt Pd} - \textit{Days in Disc Pd}}$$

Example: *Current value of fund rate: 9%*
Discount Terms: 2% /10 : net 30

$$\frac{.02}{1.00 - .02} \times \frac{360}{30 - 10} = .36 \text{ (or 36\%)}$$

In this case, the Effective Annual Discount Rate exceeds the cvf, so the discount would be taken.

3. Discounts may be taken <u>only</u> after the products/services have been accepted at the Department. <u>An invoice may not be paid early to take advantage of a discount if the goods or services have not been accepted.</u>

4. The invoice date, not the prompt payment start date, is the date used to begin the available discount period. Because of this requirement, some discounts may be lost before receipt of the vendor's invoice. This is more likely when the payment office is not the designated billing office (See Successful Strategies). The discount period runs from the day <u>after</u> the invoice date through the discount date. If no date is placed on the invoice by the vendor, the discount period begins <u>on</u> the date a proper invoice is received by the office designated to receive the invoice, provided that the office annotates the date of receipt.

Example: *Discount terms are generally stated in the form 2/20, N/30, meaning that a discount of 2% may be taken if paid within 20 days, or the net (full) amount must be paid in 30 days. If these are the discount terms, and the vendor's invoice is dated January 3, the discount payment due date is January 23. If the vendor does not date the invoice, and the office designated to* *receive the invoice receives the invoice on January 7, the discount payment due date is January 26.*

5. For discounts offered in percentage terms, the amount used for calculation includes shipping, freight and related charges. Therefore, the discount is a percentage reduction from the gross amount of the invoice unless otherwise specified on the contract or purchase order. If the vendor advises that discounts may only be taken on the cost of the item, we must manually recalculate the discount and enter this figure in the DISCOUNT AMT field on the second P3 screen (for A/P payments).

6. When a discount is offered, the Department may pay the discounted amount only if payment is made within the specified time period. Payments should be made as close to, but no later than the discount date.

II. Reporting

A. Introduction: All major Federal Agencies must report detailed prompt pay information annually to OMB. The format for the report was developed in the original Act, and modified in the 1988 revision. This report is due to OMB on or before November 30. A quarterly report has also been required since the third quarter of 1992.

OCFO consolidates departmental data for prompt pay reporting from:

1. The P118 report for payments made through the Accounts Payable subsystem of DOLAR$, and

2. Each of the servicing finance offices quarterly for payments made outside the Accounts Payable subsystem.

B. Format and Explanation of Entries to be Made in Reports by the Servicing Finance Offices: Following is an explanation of each field on the OMB quarterly and annual reports.

I. Invoices paid which are subject to the PPA (rev. 1988). See the Questions and Answers (p. A-35) for a detailed description of invoices subject to the PPA.

   A. Total dollar value of invoices paid (of the invoices included in I.B. below).

   B. Total number of invoices paid subject to the PPA.

II. Invoices paid late

   A. Dollar value of invoices paid late (after the due date, not after the grace period, regardless of whether interest was actually paid). This does not include the amount of the interest.

   B. Number of invoices paid late, regardless of whether interest is paid. Source: Calculated: (II.C.2 + II.F.1.b)

   C. Late payment interest penalties paid.
      1. Late payment interest amount (interest paid for late payments in II.C.2. below).
      2. Number of interest penalties actually paid.
      3. Relative Frequency. Source: Calculated: (II.C.2/I.B)

   D. Penalties paid for failure to pay interest.
      1. Dollar amount of penalty payments (for penalties in II.D.2 below).
      2. Number of penalty payments paid.
      3. Relative Frequency. Source: Calculated: (II.D.2/I.B)

   E. Reasons why interest or other late payments and penalties were incurred. The following six reasons are ranked from highest (1) to lowest (6), according to the frequency of occurrence in the report to OMB. Finance Offices report number of instances so that they can be summed to a department total. The A/P system will be revised to report the number of instances.

1. Delay in paying office's receipt of
   - A. Receiving Report
   - B. Proper invoice
   - C. Purchase order or contract

2. Delay or error by paying office in:
   - A. Taking discount
   - B. Notifying vendor of defective invoice
   - C. Computer or other system processing

F. Interest and other late payment penalties which were due but not paid.

1. Total
   - a. Dollar amount of interest. Source: Calculated: (II.F.2.a + II.F.3.a)
   - b. Number of payments. Source: Calculated: (II.F.2.b + II.F.3.b)

2. Because payments were less than $1.00
   - a. Dollar amount of interest (for penalties in II.F.2 below).
   - b. Number of penalties less than $1.00.

3. For other reasons
   - a. Dollar amount of interest.
   - b. Number of payments.
   - c. Text description of other reasons why interest and other late payment penalties were not paid.

III. Invoices paid 1-15 days after due date. For OMB reporting, this applies only to contracts prior to April 1, 1989 (of which the Department has none). The P118 continues to show how many payments are made within 15 days after the due date (regardless of the contract date).

A. Dollar amount. NO REPORTING REQUIRED from Finance Offices.

B. Number. NO REPORTING REQUIRED from Finance Offices.

C. Relative frequency. NO REPORTING REQUIRED from Finance Offices.

IV. Invoices paid early. This includes all invoices paid 8 or more days (i.e., greater than 7) before the due date.

A. Subject to a determination - if management elects to pay a vendor early because it is in the best interest of the government to do so.

1. Dollar amount (of the invoices included in IV.A.II. below).
2. Number paid early at election of management.
3. Relative Frequency. Source: Calculated: (IV.A.2./I.B)

B. Not subject to determination - paid early in error.

1. Dollar amount (of the invoices included in IV.A.II. below).

2. Number paid early in error.
3. Relative Frequency. Source: Calculated: (IV.B.2./I.B)

V. Discounts

A. Number available. All that were offered, regardless of receipt date or terms.

B. Number of discounts taken (i.e., paid during the discount period).

C. Number not taken because they were not economically justified (i.e., the amount of the discount did not exceed the value of holding on to the money).

D. Reasons why discounts were not taken. These are listed in order of frequency. The number of instances should be reported by the Finance Offices so that they can be totalled for the department.

VI. Data by payment center. The following items are listed for each Finance Office.

A. Number of invoices paid. (Equal to I.B)

B. Number and dollar amount of interest penalties. (Equal to II.C.2 and II.C.1).

VII. Frequency distribution of late payment interest penalties. This shows how many late payments were made in different dollar categories.

VIII. Description of agency payment practices. Finance Offices provide a brief description of their bill-paying procedures. Information is consolidated by OFPS.

IX. Progress made. Finance Offices describe significant progress in any aspect of their bill-paying process. Information is consolidated by OFPS.

X. Quality Assurance. Finance Offices describe new developments which support Prompt Pay quality assurance in their bill-paying areas. Information is consolidated by OFPS.

XI. Designated agency contacts. Finance Offices submit a contact person for prompt payment activities, which is maintained by OFPS. OFPS lists its contact person in the OMB report.

XII. Certification. This is signed by the authorized official.

III. Prompt Payment Quality Control

A. Introduction: As a result of Congressional interest, OMB has mandated various quality control requirements including issuance of a guide like this and the periodic reporting described in the preceding section. The Department uses statistical sampling to monitor its performance and to assure the accuracy of the information reported. Sampling for Prompt Payment data occurs *after* the payments have been made, and should not be confused with sampling programs such as the sampling of travel vouchers for payment purposes. Two statistical sampling applications are included in the Department's Prompt Payment Act quality control program:

1. **Validation:** To confirm the accuracy of Prompt Payment Act reports generated by certain payment systems. Validation involves selecting (sampling) payments made in a reporting period, confirming by voucher examination that the system has been used properly and thus validating the reports generated by the system.

2. **Generation:** To compile Prompt Payment Act reports for systems that cannot generate those reports. This procedure involves selecting (sampling) payments, examining the vouchers that support such payments, and then extrapolating (generating) data for the entire population of payments from the sample.

This section describes procedures to follow for the two sampling applications, and concludes with a chart that identifies the appropriate application for each servicing finance office. Which application to use for a given system is dependent upon whether procedures are in place and used to compile the OMB reports. It is also possible that, within a given system, both procedures may be applicable. Note that sampling procedures for payments made through the A/P subsystem are discussed in part F.

B. Sampling Methods for Validation and Generation: To comply with the Department's quality control program:

1. Payments made either manually or through automated bill-paying systems should be statistically sampled by a certifying officer or designated accountant *not directly involved in voucher processing*.

2. Depending on the information available, either the

validation or *generation* application will be used to assure data accuracy. Both use the "systematic" sampling technique. This involves selecting every Kth item from the sampling unit, where K is arrived at by dividing the population size by the sample size.

EXAMPLE: *If 300 payments were made in a quarter, the sample size is 70, a sampling interval of four (4) is appropriate. Starting with a random number between 1 and 4, select every 4th payment. Pull all invoices that support the payment sample. (Note: Random or other sampling methods must be pre-approved by OCFO.)*

3. The sample size is determined by the number of items in the payment population *for each payment method*. The table below is used to select the appropriate number of items to sample (for quarterly data). Sample sizes are determined based on a confidence interval of 90%, sample precision of ±4%, and expected error rate of 5%.

Population Size	Sample Size
300-500	70
501-1,000	75
1,001+	80

If the percentage of errors in a sample is particularly high, OCFO will advise the servicing finance office of any adjustments to the sampling that should be made in the succeeding quarter.

C. Procedures to Validate Information for OMB Reports: Use the following procedures for quarterly validation by statistical sampling:

1. Rank all payments in date order and determine the total number made in the quarter.

2. Establish sample size pursuant to B. above.

3. For each item[4] in the sample, prepare the following information as recorded in the recordkeeping system (manual or automated):

[4] When several invoices have been combined into one payment transaction, all such invoices must be examined. Errors on any one of the invoices invalidates the payment.

a. Invoice Number(s)
b. Start Date(s) (calculated)
c. Payment Due Date(s) (calculated)
d. Paid Date
e. Early/On-Time/Late (calculated)
f. Reason Paid Late (text)
g. Amount of Invoice Payment
h. Amount of Penalty Payment
i. Discount Available
j. Discount Taken

4. Once the sample has been selected and the above information compiled, analyze the original invoice(s) and related documents. The analysis should include:

   a. Reviewing each item in C.3. above
   b. Recalculating start date(s)
   c. Recalculating due date(s)
   d. Recalculating discount
   e. Recalculating penalty

5. Compare analytical results (from C.4.) with the actual payment data from the recordkeeping system. Document results.

6. Submit a quality control report quarterly to the OCFO that provides the following information:

   a. The total number of payments in the population.
   b. The number of payments sampled.
   c. The number of sampled payments accurately recorded in the recordkeeping system (i.e., all data elements, C.3.a. through j., were correct for all invoices that support the payment transaction).
   d. For each data element in the sampled payments, the number of times the analytical results did not match the actual data in the recordkeeping system[5].

D. Procedures to <u>Generate</u> Information for OMB Reports: Use the following procedures for quarterly generation by statistical sampling:

[5] Because invoices may be combined into one payment transaction, the number of errors will not necessarily relate to the number of payments.

1. Rank all payments in date order and determine the total number made in the quarter.

2. Establish sample size pursuant to B. above.

3. Select sample payments from the population. The following items will be tracked for reporting purposes:

   a. $ value of the invoice
   b. # of invoices (subject to the Prompt Pay Act)
   c. $ value of invoices paid late
   d. # paid late
   e. # interest penalties paid
   f. $ additional penalties paid
   g. Reason for interest penalty
   h. $ interest less than 1.00 not paid
   i. # interest less than 1.00 not paid
   j. $ interest greater than $1.00 not paid
   k. # interest greater than $1.00 not paid
   l. $ paid early due to management decision
   m. # paid early due to management decision
   n. $ paid early in error
   o. # paid early in error
   p. # discounts available
   q. # discounts taken
   r. # discounts not economically justified
   s. Reason for discounts not taken

4. Analyze each sample payment[6] by a new determination of each of the following:

   a. Invoice Number(s)
   b. Start Date(s)
   c. Payment Due Date(s)
   d. Pay Date
   e. Early/On-Time/Late
   f. Reason Paid Late
   g. Amount of Invoice Payment
   h. Amount of Penalty Payment
   i. Discount Available
   j. Discount Taken
   k. Reason for Discount Not Taken

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[6] When several invoices have been combined into one payment transaction, all such invoices must be examined. Errors on any one of the invoices invalidates the payment.

5. Submit a quality control report quarterly to OCFO that provides the following information:

   a. The total number of payments in the population.
   b. The number of payments sampled.
   c. The number of payments accurately recorded in the recordkeeping system for all elements, i.e., all data elements, D.4. (a. through k.), were correct for all invoices that support the payment transaction.
      (NOTE: If, for a given system, both validation and generation techniques are used, *one* sample should be selected for both. The number of payments accurately recorded will reflect those from both C.3. and D.3.).

   d. For each data element in D.4, the number of times the review results did not match the actual transaction record.

   e. The projected figures for each data element in D.3 for the entire population. To project reporting figures, divide all numbers and amounts by the fraction of the population used in the sample for each data element.

      ***EXAMPLE:** If the population size is 1000, and the sample size is 75, divide all figures by .075 to determine projected numbers to report.*

E. Procedures Used for Mixed Validation/Generation Quality Control: Because systems may provide incomplete recordkeeping and/or reports, it is sometimes necessary to use both methods.

1. Determine which of the items from D.3 (a. through s.) are *not* available as output from the recordkeeping system.

2. Select a sample size from the entire population without regard to availability of data elements from the recordkeeping system.

3. For those data elements available from the recordkeeping system, use the validation methodology described in C.3-5.

4. For those data elements not available from the

recordkeeping system, use the generation methodology described in D.3-4.

5. Submit a two-part quality control quarterly report to the OCFO analogous to C.6 and D.5 above.

F. **Sampling Method for Validating Prompt Payment Reporting by the Accounts Payable Subsystem of DOLAR$:** OCFO and servicing finance offices will share responsibility for the quality control program, performing the following:

1. OCFO staff enter the following parameters into the A/P subsystem each quarter to generate a random sample of payments: Document Type, Invoice amount limit, Equation symbol (i.e., ">" an invoice amount), Sampling precision, Confidence level, Confidence interval, and Error rate.

2. OCFO staff distribute sample payment data to the servicing finance offices, where a certifying officer or designated accountant *not directly involved in voucher processing* (e.g. from another agency, or another government department) uses file documents and the P4 screens in the Accounts Payable subsystem to verify the following system information:

   a. Invoice receipt date(s) match(es) system log date(s).
   b. Receiving report date(s) matches system receiving report date(s).
   c. Payment amount matches system payment amount.
   d. Discount percent and due date matches system discount percent and due date.
   e. The payment date matches the system payment date.

3. The results are documented by the servicing finance office.

4. The servicing finance office submits a report quarterly to the OCFO that provides the following information:

   a. The number of payments accurately recorded in A/P. (i.e., all data elements, E.2.a. through e., were correct for all invoices that support the payment transaction.
   b. For each data element, the number of times the original documents did not match the results in

the Accounts Payable subsystem[7].

5. OCFO staff verify the following for all payments:

   a. The schedule date for the payment was three days prior to the due date.
   b. The payment was made by Treasury in a timely manner based on the schedule date.

G. Table of Finance Offices and Sampling Requirements

The table on the following page indicates what sampling application(s) are required for each servicing finance office.

[7] See Footnote 5.

Table of Finance Offices and Sampling Requirements

Finance Offices	A/P Subsystem	Other Auto Systems	Manuals < 300/qtr	Manuals > 300/qtr
Boston	VP		T	
New York	VP			V
Philadelphia	VP			V
Atlanta	VP		T	
Chicago	VP		T	
Dallas	VP			V
Kansas City	VP		T	
Denver	VP		T	
San Francisco	VP		T	
Seattle	VP			V
OSHA	VP		T	
MSHA	VP			V
NCSC	VP			V
BLS	VP			V
ESA Black Lung		V,G		
ESA FECA		V,G		
ESA Longshore				V,G
ESA S&E	VP			
ETA	VP			V

Key:
V - Validate data output from a manual or automated system, except A/P. (Required if greater than 300 (quantity) or $10 million manual payments per quarter.)
G - Generate data for OMB reporting.
VP - Validate A/P data.
T - Track OMB data during bill-paying process, and report cumulative data provided there are less than 300 payments valued under $10 million. No sampling is required since the reporting results would have a relatively insignificant effect on the Department's overall PPA performance.

Glossary of Financial Terms

Any invoice paid (Treasury check date) from seven days prior to the payment due date up to and including the due date.
The following definitions are important in understanding and implementing the Prompt Payment Act

ACCEPTANCE - Acknowledgement by the Department that the goods or services received agree with the order.

ACCRUE FUNDS - The shift of funds from unliquidated obligations to accounts payable.

APPLICABLE INTEREST RATE - The interest rate used in paying interest under the Prompt Payment Act, i.e., the current value of funds (cvf) rate established by the Secretary of the Treasury. (Certain tariffs, particularly from utility companies, establish other interest rates, and rates may also be specified in contract terms.) The cvf is referred to as the "Renegotiation Board of Interest Rate" and is published semiannually (about January 1 and July 1) in the Federal Register. In addition, the Office of Chief Financial Officer issues the semiannual rates to the DOL agencies.

CERTIFIED INVOICE - An invoice with a stamp indicating date of acceptance, and signed by the receiving officer.

CONTRACT - Any legally-binding agreement, including rental and lease agreements, purchase orders, delivery orders, service contracts, and blanket purchase agreements between the Department and a vendor. A contract must have the following information (see OMB Circular No. A-125 for special requirements for construction contracts and farm producers):

- Payment due date(s);
- A notation that partial payments are prohibited in the contract, if applicable;
- When appropriate, a stated period of time following delivery to inspect and/or test property furnished or evaluate services performed;
- Name (where practicable), title, telephone number, and complete mailing address of officials of the government's office designated to receive the invoice and of the vendor receiving payment; and
- Reference to requirements under the Prompt Payment Act including the payment of interest penalties on late

invoice payments.

CONTRACTOR - See VENDOR.

DATE OF RETURN OF IMPROPER INVOICE - The date the properly annotated defective invoice is mailed back to the vendor.

DAY - Calendar day, including weekends and holidays, unless otherwise indicated.

DESIGNATED BILL-PAYING OFFICE - The place named in the contract or purchase order where invoices are to be sent. Also referred to as the office first designated to receive the invoice.

DISCOUNT - An offer made by a vendor (either on the contract or purchase order, or the invoice) for a decrease in the price of goods and/or services in exchange for payment within a specified period of time.

DISCOUNT DATE - The date by which a specified reduction in payment amount may be taken if payment is made. The last date in the discount period.

DUE DATE - The date by which payment should be made by Treasury. See page 6 for calculation.

FINANCE OFFICE - Any DOL office which processes and schedules bills for payment. This includes regional OASAM Finance Offices, NCSC, and National Office agency bill-paying offices.

INVOICE - A written request for payment from a vendor for goods or services rendered. Also see "PROPERLY PREPARED INVOICE".

INVOICE DATE - The date placed on the invoice by the vendor. Generally the date issued by the vendor.

ON TIME PAYMENT - Full payment made anytime from seven days prior to the payment due date up to and including the due date.

PAYMENT DATE - The date appearing on the Treasury check or the date an electronic payment (Vendor Express/ACH) is received at the vendor's financial institution.

PROPER(LY PREPARED) INVOICE - An invoice that contains:

- Name of vendor;
- Date of invoice;

- Contract number, or other authorization for delivery of property or services;
- Description, price, and quantity of goods or services;
- Shipping and payment terms;
- Other substantiating documentation or information as required by the contract;
- Name, title, phone, and mailing address to whom payment is remitted; and
- Vendor SSN or EIN. (The EIN/SSN is not required by law, but is required by the A/P subsystem in order to process a payment.)

<u>PROPER(LY PREPARED) RECEIVING REPORT</u> - a receiving report that contains the following:

- Contract or Purchase Order number;
- Description of goods or services;
- Quantities of goods received;
- Date(s) received and accepted; and
- Signature, name, title, phone, and mailing address of receiving official.

<u>PURCHASE ORDER</u> - A small contract.

<u>QUALITY CONTROL</u> - A program with the following elements intended to assure compliance with the Prompt Pay Act:

- Sound written procedures issued and followed.
- Statistically valid random or other samples with established confidence levels used to draw review cases.
- Periodic reviews conducted independently of the payment process, use original documents, and recalculate due dates, discount periods, etc.
- Results used by agency management to assess performance against established standards and ensure corrective action.
- Data used to prepare annual reports to OMB.
- Coverage of the entire agency.
- Agency Inspector General (IG) validation.

<u>RECEIPT OF GOODS OR SERVICES</u> - The date goods or services are accepted by the Department.

<u>RECEIPT OF INVOICE</u> - For the purpose of determining a due date (and the date on which interest will begin to accrue), the <u>LATER</u> of the following dates:

- The date a proper invoice is received in the office designated to receive the invoice. This is the "received on" date, and must be stamped or written on the invoice, -OR-

- The date the goods or services are accepted. (The receiving office has seven days from the date the goods or services are delivered to accept them. If acceptance does not occur within the seven days after receipt, then the seventh day after the "received on" date automatically becomes the acceptance date for determining when payment is due.)

  NOTE: If the office designated to receive the invoice fails to put the date received on the invoice, the date the vendor dated the invoice automatically becomes the "received on" date.

RECEIVING REPORT - Written evidence of receipt and acceptance of goods or services. See PROPERLY PREPARED RECEIVING REPORT.

UNDELIVERED ORDERS - Unliquidated obligations.

VENDOR - Any person or organization engaged in a profession, trade, or business; and not-for-profit entities (including State and local governments, but excluding Federal entities) doing business with the Department. Same as Contractor, the term used in OMB Circular No. A-125.

Questions and Answers about Prompt Payment

A. General

Q: What invoices are subject to the Act?

A: All direct payments to commercial vendors, state and local governments, and individual vendors for products or services rendered.

Payments not governed by tariffs to utility companies are subject to the Act. Although regular utility service is not covered, contracting with an electric or telephone company to install a specific piece of equipment is. See Section 2.b. of Circular No. A-125 for detailed explanation.

Additional valid prompt pay payments:

- GTR billings (e.g., for airline tickets)
- Parking invoices (even if paid in advance)
- Public agencies (i.e., county courts, sheriffs as process servers, etc.)
- Subscriptions (even if paid in advance)
- Travel Management Center (TMC) payments
- Government Bill of Lading (GBL) payments
- Transportation bills (to commercial carriers, including those governed by GSA-set rates)
- Witness Fees for Expert Witnesses
- Enrollments (training)

Q: What invoices are not subject to the Act?

A: The following payment types are not governed by the PPA:

- Grants* (may be entitled to interest penalty under the Cash Management Improvement Act of 1990 - See DLMS-6, Section 921)
- Imprest Fund Payments (SF-1164)
- Imprest Fund Replenishment
- Interest on FECA payments
- Interest on OWCP claims
- Medical/legal fees not paid as a result of employer bankruptcy*
- Medical Treatment Benefits*
- OSHA contracts (grants)
- Other Federal agencies/OPAC

- Postmaster

- SF-1034 Public Vouchers
- SIBAC billings
- Telephone (monthly bills)
- Tort claims

- Travel vouchers (SF-1012)
- Utility bills where rates and interest are set by tariffs
- Vendor payments direct from an imprest fund
- Weekly maintenance allowances for claimants in rehab plans
- Witness Fees (for federal employees; non-expert witnesses)

* These payments generally occur in National Office agencies.

Q: How does A/P know if the payment is subject to the PPA?

A: The default setting in A/P is Y. To change it to N, the user must reset the flag via the P3 screen.

Q: Are we liable for interest charges set by tariffs which are in excess of those set by the PPA?

A Yes.

B. About Payment

Q: How long does the Act give us to pay invoices? Is there a "grace period?"

A: Invoices must be paid by the due date. The 1-15 day grace period allowed under the original PPA was eliminated by the 1988 amendments.

Q: What is the due date when the P.O. is cut after the services or goods are received, or when it is a confirming purchase order?

A: The due date is generally 30 days from the "start date". The start date is the <u>later</u> of: (a) acceptance of products or services indicated by a proper signature and date on a receiving report, or (b) receipt and dating of a proper invoice by the office designated to receive the invoice.

Q: Are payments to TMC's for Government Travel Requests

(GTR's) covered under the PPA?

A: Yes -- all payments to TMC's are covered under the PPA. So are payments to other vendors who submit GTR's. GSA contracts with TMC's or other transportation vendors do not impact applicability of the PPA.

Q: My TMC claims that they are entitled to payment of invoices in two weeks. Do I have to pay them before 30 days?

A: If we have agreed to pay in two weeks through a contract or purchase order, yes. Otherwise, no.

Q: When invoices are due for payment on the weekend or a holiday, what is the correct day to make the payment?

A: For regular payments, when the due date falls on a weekend or holiday, the payment may be made on Monday, or the next business day following the holiday, respectively. The same payment rules do not apply to discounts because the due date is more rigid; for discounts falling during a holiday period, payment must be made by the preceding regular workday.

Q: What happens if a vendor delivery is made, but part or all of the delivery is not accepted?

A: The prompt pay clock does not begin until the order has been accepted. If there is a dispute, the clock is put on hold until resolved. The recipient may accept a partial order. If this is done, the clock starts for that portion of the order when received (assuming it is already invoiced).

Q: When paying for an "enrollment" (e.g., a subscription, a parking garage, or a class tuition), should the due date in A/P be overridden during key entry?

A: Yes, if we have less than 30 days to pay it under terms of the enrollment agreement.

Q: If we load and verify payments on a timely basis in the A/P subsystem, will the bills ALWAYS be paid on time?

A: With rare exceptions, Yes. Those exceptions are:

1. The number of payments we have may not meet Treasury Department minimums for payments submitted on magnetic tape. In this situation, payments are normally pulled in and combined with the previous day; however several payments verified just before the due date may be a day late. Minimum volume will not be an issue once Treasury upgrades their system to accept payments electronically. This is planned for early 1994.
2. Invoices are sometimes assigned an incorrect object class (e.g., Transportation). When this happens, the payments need to be corrected before they can be paid.
3. Occasionally, there is a physical problem with the magnetic tape sent to Treasury. If it must be returned and recreated, payments for that day may be a day late. Once again, the EDI interface with Treasury will eliminate this problem.

Q: There are some blanket purchase orders with companies who run a "revolving credit" scheme. Their finance charges can become significant and it is often difficult to meet their timeframes if we adhere to PPA deadlines (i.e., 30 days). The same is true for telephone bills (we get service charges from the phone company, but we are timely according to prompt pay). How should these bills be handled?

A: Regular telephone bills are not subject to the PPA. We should pay according to the payment terms. Blanket purchase orders are subject to prompt pay. The due dates are generally set forth in the contract.

Q: Is there a difference between payments processed through A/P and the SF-1166 schedules with Treasury?

A: The major differences for bill-paying offices, when using SF-1166 forms are:

1. Being responsible for their own cash transactions and reconciliation;
2. Ensuring that DOLAR$ is updated with the proper accounting transactions;
3. Having to manually project and calculate due dates, interest penalties, discount amounts and periods;
4. Manually warehousing invoices for payment; and
5. Additional record-keeping requirements.

Q: What is Fast Pay and when can I use it? What safeguards are needed to use Fast Pay practices?

A: "Fast Pay" is described in detail in the GAO Policy and Procedures Manual, Title VII, Chapter 7. At first, it sounds like a great way around the requirement for a receiving report prior to releasing payment. Title VII goes on to cite A-125 in terms of use by the Executive Branch. In practice, this rarely applies to DOL payments (although it is used to pay Federal Express and Rocky Mountain VISA Bankcard invoices without receiving reports). A-125 covers this on p. 19.

Q: Can I make an early payment before the 30 day prompt pay period if my contract stipulates other payment terms?

A: Absolutely. Contract terms between DOL and the vendor ALWAYS override the default dates and amounts as specified in the PPA.

C. About Invoices

Q: Do invoices have to be originals or can copies be used? Does the photocopy have to be a "certified" copy?
A: Invoices should be originals. If a photocopy is used, it must be clearly labelled DUPLICATE.

Q: What start date is used when an agency does not clock in an invoice and there is no receiving report?
A The date of the invoice (put there by the vendor).

Q: Does the dollar amount of an invoice have anything to do with whether it is subject to the Act?
A: No.

Q: What happens if we receive an invoice, but there is no vendor EIN available?
A: First, call the vendor to get the EIN. If this is unsuccessful, contact someone with more authority at the vendor. If this also fails, continue to follow-up with the vendor until the EIN is determined. The vendor EIN is not a required piece of data per the PPA, but must be submitted to the IRS for tax purposes, and is also required entry for the A/P subsystem. See Successful Strategies for some methods to avoid this situation.

Q: Where should we direct vendors to send their invoices?
A: OFPS recommends that all invoices be forwarded directly to the servicing finance office. Since this office pays the bills, it offers the maximum control over the flow of paper. Some offices may find it preferable to have invoices sent to the ordering (field) office first, then forwarded to the servicing finance office. If this method is used, strong internal procedures must be in place to ensure that all invoices are forwarded to the servicing finance office in a timely manner. See Successful Strategies for a description of how each of these methods works.

Q: If a vendor submits an original invoice to an agency field location, how can the Finance Office be made aware of this in a timely manner?
A: It can't, unless someone in the field calls it in. This is the major reason why it is recommended that invoices be sent directly to the servicing finance office.

Q: What is the definition of "a proper invoice?"

A: See the Glossary, or Reviewing the Invoice in Section I.

Q: What is the responsibility of the Finance Office to return improper invoices to vendors?

A: Improper invoices must be postmarked no later than 7 days from the date of receipt. For example, if an invoice is received on the 12th of the month, it must be returned on or before the 19th. See Reviewing the Invoice in Section I.

Q: Is there a maximum or minimum number of days that the due date can be overridden in A/P?

A: Yes. The due date can only be moved closer to the current date, but no earlier than three days after the current date. The due date can not be more than 30 days in the future.

Q: I have a vendor who sends bills to the office ordering the items rather than the office designated for billing on the purchase order. As a result the invoices are paid late with interest charges. What can I do about this situation?

A: If this continues to happen after the vendor has been advised of the correct address, the ordering office should return the invoices to the vendor within 7 days of receipt. See Reviewing the Invoice in Section I.

Q: Can discounts be applied to freight charges?

A: Basically, yes, unless specifically prohibited. Check with Procurement on individual cases which may be in question.

D. About Interest Penalties

Q: How often do PPA interest rates change? Where can we find the most current interest rate?

A: The interest rate is set by Treasury every 6 months. Current rates are published in the Federal Register on or about Jan. 1 and July 1 each year. All DOL Administrative Offices are notified by memo.

Q: How does the A/P subsystem calculate late payment interest?

A: A/P calculates interest based on the current Treasury rate and the dates entered into the system for the invoice in question. The system assumes that all payments will be made (i.e., dated by Treasury) three days after the invoice is scheduled for payment. If this date falls beyond the due date, A/P multiplies the rate by the number of days late to calculate interest.

Q: If an invoice is incorrect or in dispute, is it still subject to the Act?

A: Yes. However, interest is not accrued during the time required to resolve the dispute. See Calculating Interest Penalties in Section I.

Q: If the prompt payment deadline is not met, must we pay an interest penalty even if the vendor doesn't request it?

A: Yes.

Q: If a payment deadline is missed by only one or two days, the interest penalty could be only a few cents. Must this still be paid to the vendor?

A: No. Only interest amounts of $1.00 or more must be paid.

Q: Whose appropriation is charged late payment interest when it accrues?

A: Generally, the interest penalty is charged to the same appropriation as the original bill. An exception to this is for penalties paid through the FECA appropriation, which is not authorized to fund administrative expenses.

Q: How do penalties work when I fail to make interest payments?

A: This is pretty involved - see Additional Penalties for detailed information.

Q: I continually receive Rocky Mountain BankCard invoices and fail to receive timely receiving reports or certified invoices. What can I do?

A: Talk to the person who is causing the problem. Explain the impact on your organization. Track late receiving reports and advise management where the problems are. Talk to other offices about how they deal with the issue. As a last resort, recommend that the card be cancelled if late payment penalties are substantial. Refer to the February 18, 1993 memo from Comptroller and DAPP for specific procedures.

Q: I inadvertently neglected to pay a vendor interest on a large contract. What should I do?

A: Advise the vendor of the oversight, determine how much is owed, and begin processing to get a check issued.

E. About Reporting

Q: What can we do to ensure the Department submits required reports to OMB on a timely basis?

A: Return requests for information to OCFO by the due dates requested. Don't wait until the end of the reporting period to compile your statistics. See Section II.

Q: Some payments are scheduled early because the purchase order includes an early payment clause. Are these separately identified in the A/P reports used for the OMB report, and are these invoices counted as "early payments"?

A: They are counted as "early payments" by A/P, as the override due date does not override the default (30-day) due date. It is assumed that these early payments are authorized by DOL management

Q: How frequently must I report payments made under the PPA?

A: Beginning with the first quarter of FY 1994, servicing finance offices will submit detailed prompt pay information each quarter. OCFO will use this data to generate reports that satisfy both quarterly and annual reporting requirements to OMB.

Q: What records do I need to maintain for PPA reporting?

A: See Record-keeping and Reporting, Section I and II respectively.

Q: Can I use a sampling program to report my prompt payment performance for manual payments?

A: See Statistical Sampling in Section III for complete information.

Successful Operational Procedures or Strategies

Following are some of the obvious and not so obvious methods which are being used to handle issues related to prompt payment of invoices. Most relate to the processing of administrative payments, but a number are applicable to covered agency program payments as well. If you see something that may work for you, contact the office noted for further information.

A. To assist in problem resolution

1. Register invoices into A/P as soon as they are received. Not only does this start the prompt payment clock at the right time, but also allows inquiry to the payment at all future times. (Chicago/OASAM)

2. Set up a log sheet for invoices sent out for agency approval. By having the log sheet, it is easier to keep track of invoices. (Seattle/OASAM)

3. Discuss prompt payment issues at regular Administrative Officer meetings. (Boston/OASAM)

4. Capture copies of DOLAR$ screens (P2) showing registered invoices still awaiting certification when problems occur, edit them in WordPerfect, and send copies to the Agency Administrative Officer. (Boston/OASAM)

5. Follow-up quickly with individuals or their supervisors when problems occur which result in late or early payment of invoices. (Boston/OASAM)

6. Warehouse invoices which have been verified, but are not yet due for payment in a date file. This simplifies checking to ensure that all invoices due for payment on a particular date have been scheduled. Useful for both for A/P and manual payments. (Kansas City/OASAM)

B. To prevent payment problems from occurring

1. Distribute training materials to individuals involved in the bill-paying process. This includes internal procedures, the DLMS chapter on Cash Management, and/or this Guide. (Boston/OASAM)

2. Update listings of agency approving officers, with sample signatures for each, at least annually. This enables financial staff to determine whether an invoice is properly certified for payment. (New York/OASAM)

3. Increase use of the A/P subsystem to pay bills. Once loaded and verified, A/P automatically schedules the payment on-time. (OFPS/OCFO)

4. Delegate specific types of invoices to certain individuals. Several kinds of invoices can be assigned to different individuals to ensure adequate coverage and cross-training. (Philadelphia/OASAM)

5. Attach a pre-printed tracking slip to each invoice. Indicate the control number and initial each processing step as it occurs (i.e., P1, P3, P6, etc.). (San Francisco/OASAM)

6. Encourage better bill-paying performance through incentive awards. Both group and individual awards can recognize performance that exceeds expectations. (OFPS/OCFO)

7. Use a daily messenger service to the local Treasury office to ensure prompt delivery of schedules. In the future, an electronic certification system is planned which will further improve the transfer of information to Treasury. (ETA)

8. Determine the proper payment for each medical service by a fee schedule built into the automated system. (ESA-Black Lung)

9. Use a log book of processed invoices for manual payments. This is valuable when information about the status of a payment is needed. (NCSC/OASAM)

C. To ensure discounts are taken

1. Highlight invoices that offer discounts to keep track of them more closely. (Atlanta/OASAM)

2. Modify the discount period start date to begin later than the invoice date. This can be done by specifying that the discount period begin with the later of receipt of invoice or goods/service in the contract or in the purchase order terms. (OSHA)

D. To facilitate use of the A/P subsystem

1. Code invoice numbers for telephone bills: Month (1-9,X,Y,Z); Year (2 digits); the seven digit telephone number (no area code). (San Francisco/OASAM)

2. Modify the Rocky Mountain Bankcard invoice number. The vendor has requested that checks be issued by cardholder, so the invoice number must be unique to cardholder. There are 10 positions in the invoice number field. The following is one method which may be used to handle the situation:

Position	Description
1-2	Initials of cardholder (or random 2 characters)
3	Last digit of the current year (e.g., 93=3)
4	Region (e.g., PH=3)
5-8	Agency indicator - 4 digits from invoice number (e.g., 5000=OSHA)
9-10	Month

3. Require that vendors place their EIN on all invoices. This can be done by specifying the requirement in a contract or indicating this as a condition or term on a purchase order. (MSHA)

4. Inquire on the DQ or TQ screen to determine the Vendor EIN and if the invoice is an accrual before processing an invoice for payment. Annotate each invoice as to whether or not it is an accrual to allow the examiner processing the payment to use the proper transaction code and decrease the time spent going from one screen to another. (Chicago/OASAM)

5. Put invoices, once entered into A/P, into due date folders to assure timely attention by accounting technicians for audit.

6. When a vendor stipulates in writing that interest is not to be paid when payment is late, change the Prompt Payment flag fron Y to N. Although the payment is technically a Prompt Pay payment, the number and quantity of these payments will not statistically alter the information reported to OMB. The A/P system is not designed to process this type of payment without interest.

Addendum D

Reference Materials

The Office of the Chief Financial Officer maintains each of the following items in Washington D.C. Copies are available upon request.

1. Treasury Financial Manual, TFM 6-8000, Section 8040
   Can be ordered through Treasury.
2. Federal Acquisition Regulation (48 CFR 32.9 & 52.232)
   Can be ordered through Treasury.

*3. OMB Circular A-123 Internal Controls

*4. OMB Circular A-125 (Rev.) Prompt Payment (Dec. 12, 1989)

*5. DOL Office of Accounting periodic internal audit review procedures

*6. OMB Status of Federal Agency Prompt Payment - 1991 Report to Congress (February 25, 1992)

*7. "Procedures for Use of Credit Cards for Small Purchases"

* Copies provided by OCFO on request.

Appendix A Index